GROUSE MOUNTAIN RESORTS LTD.

Annual Report 1977

COVER SHOT
Grouse Mountain hosted the 1977 North American Hang Gliding Championship. Plans already are underway to repeat this dramatic event in 1978.

1. The mid-January 1976 snow depth measured 93 inches. (where ski patroler Ken Newington sits beside the striped pole). In 1977 the depth at the same time period measured five inches.

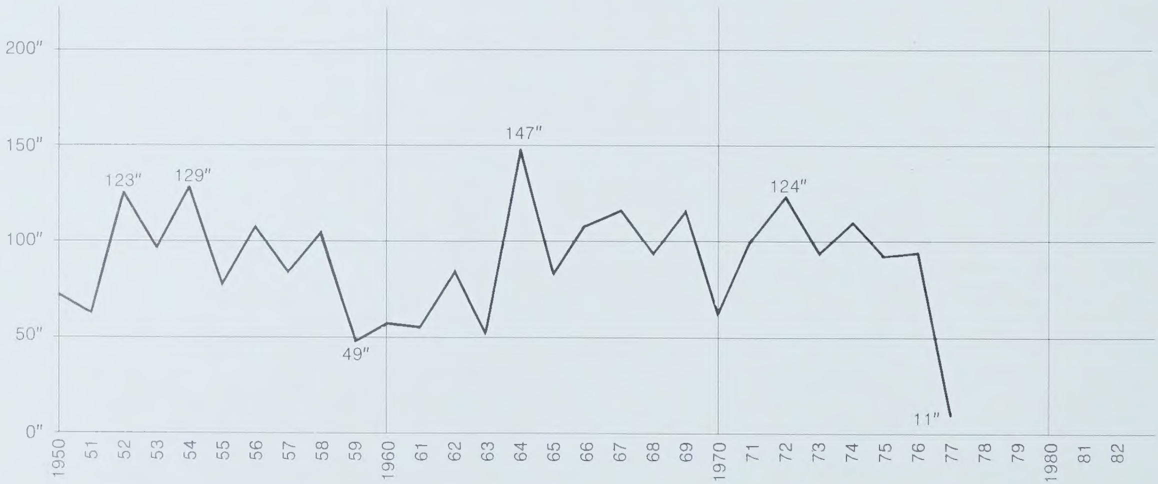
2. Vancouver aerial shot taken February 1977. Vancouver enjoyed a balmy winter while Grouse Mountain remained free of snow.

February Snow Depths

FEBRUARY 1 — SNOW DEPTHS ON GROUSE MOUNTAIN

Depths for February 1 at elevation 3600 feet.
For all available years of records.

Source: B.C. Government — Water Investigations Branch.



1. The base terminal area received a facelift for the summer of 1977. Pictured here is the new kiosk featuring a height profile of the mountain and other visitor related information.

2. The Grouse Nest Chalet and the new SUPERSKYRIDE top terminal also were spruced up for the 1977 summer season. A new colour scheme of brown with white trim enhances the park like atmosphere of the plateau complex.

Financial Highlights

Year ended October 31, 1977
(With comparative figures for 1976)

	Year ended October 31, 1977	Year ended October 31, 1976
For the Period:		
Passenger traffic	**401,000**	483,000
Gross revenue	**$ 3,383,557**	$ 4,473,265
Working Capital provided by (used for) operations	**$(1,549,474)**	$ 615,682
Net earnings (loss)	**$(1,799,255)**	$ 109,036
Additions to plant and equipment	**$ 652,275**	$ 6,468,930
Per Common Share:		
Working Capital provided by (used for) operations	**$ (.52)**	$ .20
Net earnings (loss)	**$ (.60)**	$ .04
Year End Position:		
Bank debt	**$ 7,400,000**	$ 6.544.000
Debenture debt	**$ 634,000**	$ 134,000
Shareholders' equity	**$ 4,508,748**	$ 6,308,003
Total assets	**$15,244,886**	$15,788,890

1. The SUPERSKYRIDE accords breathtaking new views of the Lions and the surrounding watershed area.

2. This dramatic shot of the Grouse Nest Chalet shows the expanded viewing platform installed for the 1977 summer season.

Report to Shareholders

October 31, 1977

The inside front cover of this Annual Report contains a graph and two mid-winter photographs that effectively tell the story of Grouse Mountain Resorts 1977 fiscal year.
That graph, which shows the February 1st height-of-the-season official snow depth on the mountain plateau, covers the full 28 year period since such records have been maintained. Clearly, with a total of only eleven inches of snow, the winter of 1976/77 was the worst season in recorded history by a wide margin.
The obvious constraints of this event were intensified by the fact that, throughout most of the exceptionally dry winter, air temperatures were unusually warm — often (through a phenomenon known as a "temperature inversion"), higher on the mountain top than in the city — a situation that served to inhibit utilization of the snowmaking system as a partial offset to the shortage of natural snow.
The year can only be classified as an unparalleled disaster for Grouse Mountain shareholders and investors, as the company recorded a pre-tax loss of $2,500,000 — a loss that even after the application of income tax reduction, equates to $.60 per common share.
Throughout the November to February period, management was plagued with repeated problems of hiring, training and then laying off mountain personnel as the winter season adopted a prolonged, cyclical "stop-start" pattern. Ski lesson programs were started, rescheduled and postponed time and again as your company endeavoured to deliver contracted services to its clientel. Finally, in spite of all efforts to the contrary, it became necessary to effect complete closure of the mountain at the very peak of the season, a situation that continued until March, when a heavy spring snowfall permitted reopening for a few weeks.
The magnitude of the winter problems, unfortunately, has offset the achievements realized during the balance of the year, including the "turn-around" performance of the restaurant division. Faced with virtually no winter, management reorganized the restaurant operations and introduced a new marketing formula approximately three months ahead of the normal summer season. The program, which constituted the "packaging" of a Grouse Nest dinner and the tramway trip for $9.95 (and sold as the SUPER-SKYRIDE Dinner Flight) proved most popular, and contributed to an early, and sustained growth in dining room volume that, by late fall, was double the level of business recorded during the same period in 1976.
Further, buoyed by the fine weather that prevailed throughout 1977, visitor traffic to Grouse started to increase in early spring, commencing a trend that continued throughout the summer period. Records were set for SUPERSKYRIDE passengers every month from May to October, as a total of 232,210 persons visited the mountain during this six month period, compared to the previous high of 176,449 established in 1972. This represents a reversal of a four year decline in summer business and testifies to the positive public acceptance of the new 100 passenger aerial tramway, the most tecnologically advanced unit of its type in the world.
It also should be noted that a number of steps were taken this past year to make a summer visit to Grouse Mountain more enjoyable. While the new nature trail around Blue Grouse Lake received the highest public acclaim, appreciation also was expressed for the alternate experiences offered by Chairlift rides to the Peak and the helicopter tours of the city area. Attentive landscaping and newly paved pathways further enhanced the experience of an evening walk around the mountain plateau.
The combination of more predictable weather, and vastly increased SUPERSKYRIDE carrying capacity, led management to redirect company resources to a more aggresive summertime marketing program, incorporating group, package and discount fares. Although per capita Skyride expenditures were lowered as a result, the offsetting advantage was an increase in gross sales in the gift shops and restaurants, an improvement of such magnitude that, on an annual basis, food and beverage sales actually rose 25% in spite of the complete absence of winter customers.
This phenomenon, accompanied by a similar advance in the merchandising division, accounted for the increase in variable operating expenses noted in the Consolidated Statement of Earnings (salaries and wages in the mountain division having been reduced by over $100,000).
Concentration on summer activities and promotion perhaps best revealed itself in the Labour Day weekend, when Grouse Mountain Resorts hosted the North American

1. Layout of the Grouse Mountain Triangle housing development, showing the 369 approved building sites in the rezoning. A further 57 single family freehold lots will be located in the southeast corner of the property.

2. Aerial photo of Grouse Mountain featuring the 128 acre triangle site, proposed to contain 426 housing units and 30 acres of park land and nature trails.

Hang Gliding Championship, illustrated on the front cover of this report. Although troubled by rain the first two days, this event proved to be a major success, from the viewpoint of both the participants and the visiting public, thousands of whom rode the SUPERSKYRIDE and Peak Chairlift in order to secure an advantageous position from which to view both the launching and the flight pattern of each participant. The combination of coastal breezes and the thermal 'lift' from the city serves to create ideal flying conditions for the hang gliders, who were unanimous in their praise of the Grouse Mountain site, and who plan to return next summer for what is anticipated to be an annual feature event on the mountain.

Favourable summer weather, and improved tourist traffic also benefited Grouse Mountain's affiliated companies, Canyon Aerial Tramways and Pacific Undersea Gardens.

As mentioned in a previous Interim Report to Shareholder's, part of the financing program undertaken by Grouse during the course of the year involved the sale of its 50% interest in Pacific Undersea Gardens, thus explaining the reduction in the "Share of Earnings of Investees" in spite of the profit realized through this sale.

Canyon Aerial Tramways now constitutes Grouse Mountain's remaining "investee" and it is pleasing to note that, after five years of gradual advancement, Canyon concluded its 1977 fiscal year with its first recorded profit, 42% of which accrues to Grouse Mountain Resorts as that firm's major shareholder.

Grouse shareholders are aware of the pressure brought to bear on your company last winter as the mounting losses from operations were compounded by the need to meet interest payments exceeding $2,000 a day (i.e. financing costs of the recently completed capital expenditure program). Discussion with many financial institutions lead to resolution of this matter through the securing of a $2,500,000 term loan from the Federal Business Development Bank, security for which is described in Note 14.

Shareholder action to increase authorized shares in support of the company's overall refinancing program is summarized in Note 6.

The most encouraging activity of the year related to the prolonged efforts by your company to initiate a real estate development program to help offset the ongoing exposure to the weather of Grouse Mountain's basic business. In this regard, January 27th saw the Council of the District of North Vancouver, by unanimous vote, adopt a rezoning bylaw for the 128-acre Triangle property located adjacent to the Skyride base station.

Such action effectively permits Grouse to proceed with the announced development program, involving the construction of 245 single-family homes, 101 semi-detached units and eighty townhouses. The particular layout of this gently sloping piece of property will permit the sensitive clustering of these homes to maximize the preservation of trees, stream corridors and natural ammenities, and to provide extensive parkland and public recreation areas.

Considerable engineering and surveying work has been undertaken the past few months to prepare the site for subdivision on a phased basis, the specific details of which must be integrated with the final financing and development plan to be adopted with individual builders and/or joint venture partners.

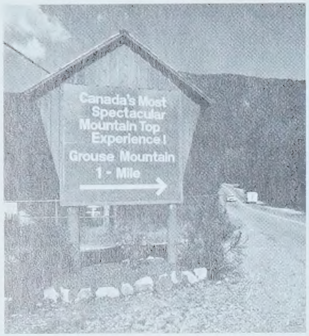
Further, on the matter of real estate activity, Grouse Mountain Resorts, at year end, began planning a series of clustered chalets on the mountain plateau. Two demonstration units were constructed during the fall months, which units currently are being viewed by persons visiting the area during the 1977/78 ski season. The chalets represent alternate forms of architectural design from that customarily seen on mountain slopes, and appeal to persons desiring a year around recreational home as well as those whose primary emphasis is on accommodation complementary to winter skiing.

It is traditional to close annual reports with a vote of thanks to one's employees. More than in any year in Grouse Mountain's history, is such commentary deserved. Those key employees who survived last winter's major staff reduction worked countless hours throughout the year to maintain on-going operations. They have earned the gratitude of all the directors and shareholders.

Finally, thanks also must be directed to Messrs. George Sherwood, Jack Gilmer and Trevor Eyton, who leave the Board of Grouse Mountain after many years of worthwhile and conscientious service. They will be missed.

On behalf of the Board of Directors.

John E. Hoegg,
President.



1. New sign at the entrance to Nancy Greene Way improved public awareness of the access to Grouse Mountain.

2. An extensive grooming and trail marking program was completed for the 1977 summer season, including the popular foot path around Blue Grouse Lake. Special plaques highlight plant species indigenous to this area.

Consolidated Balance Sheet

October 31, 1977
(With comparative figures for 1976)

Assets

	October 31, 1977	October 31, 1976
Current Assets		
Cash	$ 6,305	89,959
Trade and other receivables	126,654	190,651
Inventories	396,378	341,074
Prepaid expenses	51,159	51,033
	580,496	672,717
Deferred Ski Season Expenses	230,971	291,812
Other Assets		
Investments (Note 3)	236,403	461,203
Deferred real estate development costs (Notes 1 and 4)	959,418	711,669
	1,195,821	1,172,872
Property, Plant and Equipment		
Land and improvements	580,180	399,013
Aerial tramways, buildings, chairlifts and other mountain equipment	16,513,610	8,429,421
	17,093,790	8,828,434
Accumulated depreciation	3,856,192	2,989,777
	13,237,598	5,838,657
Construction in Progress	—	7,812,832
See accompanying notes to consolidated financial statements.	$15,244,886	15,788,890

On behalf of the Board:
Andrew E. Saxton, Director **John E. Hoegg,** Director

1. Expanded mountain top activity highlighted the 1977 summer season. Visitors flocked to the outdoor restaurant and picnic areas open for special events.

2. The Blue Grouse Nature Trail identification and reception area was completed in 1977, encouraging thousands of visitors to explore the scenic walk around the lake.

Liabilities and Shareholders' Equity

	October 31, 1977	October 31, 1976
Current Liabilities		
Demand bank loan	$ 900,000	700,000
Notes payable	137,547	—
Payables and accruals	940,446	326,822
Current portion of long-term debt	643,000	—
	2,620,993	1,026,822
Deferred Ski Season Revenue	239,145	342,709
Long-Term Debt (Note 5)	7,876,000	7,389,000
Deferred Income Taxes	—	722,356
Shareholders' Equity		
Share capital (Note 6)	5,715,745	5,715,745
Contributed surplus	45,368	45,368
Retained earnings (deficit)	(1,252,365)	546,890
	4,508,748	6,308,003
	$15,244,886	15,788,890

Every year Grouse Mountain attracts renowned visitors from throughout the world. 1977 was no exception featuring such dignitaries as:

1. William Davis, Premier of Ontario, who lunched on Grouse Mountain in the summer of 1977.

2. Sir Robin Danvers Penrose Gillet, Lord Mayor of London (far left) who dined on Grouse Mountain with (left to right) Bill Rogers, President Abacus Cities Ltd., John Hoegg, President Grouse Mountain Resorts Ltd., Bruce McLaughlin, President, S.B. McLaughlin Associates and Mayor Don Bell of the District of North Vancouver.

Consolidated Statement of Earnings and Retained Earnings

Year ended October 31, 1977
(With comparative figures for 1976)

Consolidated Statement of Earnings and Retained Earnings	Year ended October 31, 1977	Year ended October 31, 1976
Revenue from Operations	**$ 3,383,557**	4,473,265
Costs and Expenses		
Cost of sales, general and operating expenses	**4,108,718**	3,834,156
Depreciation	**961,898**	571,785
Interest on long-term debt (Note 5)	**794,683**	9,380
Other interest	**94,940**	6,672
	5,960,239	4,421,993
Earnings (Loss) before Income Taxes and Share of Earnings of Investees	**(2,576,682)**	51,272
Deferred income taxes (reduction) (Note 7)	**(722,356)**	27,000
Earnings (Loss) before Share of Earnings of Investees	**(1,854,326)**	24,272
Share of earnings of investees	**55,071**	84,764
Net Earnings (Loss)	**(1,799,255)**	109,036
Retained Earnings at Beginning of Year	**546,890**	437,854
Retained Earnings (Deficit) at End of Year	**$ (1,252,365)**	546,890
Earnings (Loss) per Common Share (Note 8)	**$(.60)**	.04

See accompanying notes to consolidated financial statements.

1. Prince Andrew, who viewed the Vancouver panorama from the SUPERSKYRIDE.

2. Donald Sutherland, who was visiting Vancouver to explore new film sites.

3. Provincial Secretary and Minister of Tourism, Grace McCarthy who is pictured here with Grouse Mountain General Manager Gary Kiefer. The Minister was accompanying West German Chancellor Helmut Schmidt and his entourage on their West Coast trade mission.

Consolidated Statement of Changes in Financial Position

	Year ended October 31, 1977	Year ended October 31, 1976
Working Capital Provided by		
Operations (Note 9)	$ —	615,682
Long-term debt	**1,130,000**	5,556,019
Sale of investment	**274,871**	—
Sale of equipment	**81,680**	52,544
	1,486,551	6,224,245
Working Capital Used for		
Operations (Note 9)	**1,549,474**	—
Property, plant and equipment	**652,275**	6,468,930
Current portion of long-term debt	**643,000**	—
Deferred real estate development costs	**290,471**	309,418
Other	**37,723**	85,324
	3,172,943	6,863,672
Working Capital		
Decrease during year	**1,686,392**	639,427
Working capital deficiency (working capital) at beginning of year	**354,105**	(285,322)
Working capital deficiency at end of year	**$2,040,497**	354,105

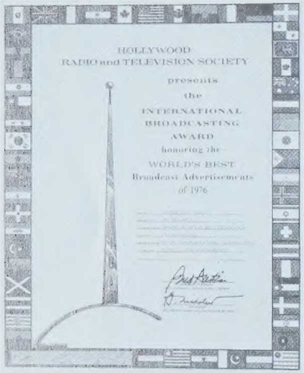
See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

Year ended October 31, 1977 (With comparative figures for 1976)

The "OSCAR" for radio and television commercials, known as the International Broadcasting Award, was won by Grouse Mountain Resorts in competition with hundreds of entries. Ironically this "WORLD'S BEST BROADCASTING ADVERTISEMENT OF 1976," to have been directed at the 1976-77 ski market, was never used due to the lack of snow on Grouse Mountain.

1.



Notes to Consolidated Financial Statements

October 31, 1977

1. Future operations

The ability of the company to continue as a going concern is dependent, ultimately, upon the earning of adequate profits in future years to discharge its debt obligations.

In order to overcome the total dependence on weather conditions for the company's earnings, the company has embarked on a programme of real estate development. This programme, together with undrawn funds available from financing recently arranged (see Note 14) should improve the company's financial condition and is expected to significantly improve the company's earnings potential.

As a first step in the company's real estate development programme an agreement has been entered into (see Note 4) whereby the company is entitled to develop a residential community on leased property. The planning of this is at an advanced stage and discussions are presently underway with interested parties for the purpose of financing and developing this project. The company further intends to develop and sell chalets on certain of its owned property.

2. Accounting policies

Principles of consolidation —
The financial statements include the accounts of the company and those of its subsidiary company, West Coast Environmental Resources Ltd.

Investees —
The company follows the equity method of accounting for the investees.

Inventories —
Inventories of spare parts, food and merchandise are valued at the lower of cost or net realizable value.

Property, plant and equipment —
Property, plant and equipment is stated at cost less accumulated depreciation.

Depreciation —
Depreciation is determined at rates which will reduce original cost to estimated residual value over the useful life of each asset, calculated on the straight-line method. Material profits or losses on disposals are included in income at the date of disposition and the carrying value of such disposals is removed from the accounts. Principal assets are depreciated at the following rates:

Tramways, buildings, snowmaking equipment and chairlifts	5%
Machinery and equipment	10%
Automotive equipment	20%
Rental equipment	33-1/3%

Deferred real estate development costs —
Research, planning, survey and interest costs related to proposals to develop residential housing are deferred and will be included in the cost of the real estate when developed. Should the project be abandoned, the deferred costs will be charged against current operations.

Deferred ski season revenues and expenses —
Ski season revenues received in advance relating largely to the sale of season passes are deferred as are costs incurred in the summer season to repair chairlifts and other mountain equipment and to groom the ski slopes. These deferred items are included in the determination of net income during the following ski season.

Maintenance and repairs —
Maintenance and repairs of a routine nature are charged against operations in the season in which the related asset is used. Costs incurred to improve existing assets or to extend their useful life are capitalized.

3. Investments

	1977	1976
Investee companies		
Canyon Aerial Tramways Ltd. (42% owned)		
Common shares at cost less share of accumulated loss	**$205,153**	196,518
Pacific Undersea Gardens Ltd. (50% owned)		
Common shares at cost plus share of accumulated earnings	**—**	228.435
Mortgage from director, due in equal instalments to 1985, less current portion, at cost	**31,250**	36,250
	$236,403	461,203

4. Deferred real estate development costs

	1977	1976
Real estate development costs	**$959,418**	668,946
Other	**—**	42,723
	$959,418	711,669

The company has entered into an agreement to obtain a leasehold interest in real property which it intends to develop for residential housing. The terms of this agreement require five annual payments of $676,467 commencing on November 1, 1978 together with interest at bank prime rate on the unpaid balance commencing on May 1, 1977. Accrued interest of $149,193 to October 31, 1977 is included in the deferred development costs.

5. Long-term debt

Long-term debt consists of the following:	**1977**	1976
Term bank loan at prime rate plus 2 1/2%, repayable in instalments to 1984 as described below	**$6,500,000**	5,844,000
7% convertible redeemable sinking fund debentures, maturing June 15, 1986	**134,000**	134,000
12-1/2% convertible debenture, maturing March 23, 1987 (Note 14)	**500,000**	—
Advance from parent company, S.B. McLaughlin Associates Limited, at prime rate plus 2-1/2%, of which $1,300,000 is subordinated to bank indebtedness and the 12-1/2% debenture, due on demand	**1,385,000**	—
Portion of long-term financing available at October 31, 1976 to discharge capital acquisition obligations existing at that date	**—**	1,411,000
	8,519,000	7,389,000
Less current portion	**643,000**	—
	$7,876,000	7,398,000

The bank loan agreement provides a $1,000,000 operating loan and a $6,500,000 term loan bearing interest at prime rate plus 1% and 2-1/2% per annum respectively. The operating loan has no set repayment schedule. While the capital loan is repayable on demand in the event of default, the loan agreement provides for seven annual payments commencing March 23, 1978, as follows: $643,000; $643,000; $900,000; $1,078,000; $1,078,000; $1,078,000; $1,080,000. Accumulated interest of $534,562 (1976 — $466,321) on funds used for capital purposes during construction has been included with the cost of the related assets.

The bank loans are secured by a $7,500,000 demand debenture which provides first fixed and floating charges on all assets of the company after making provision for a previously existing second fixed and floating charge on assets in excess of $3,000,000 by holders of the 7% convertible debentures. Additional security is provided by a general assignment of book debts and hypothecation of the shares of Canyon Aerial Tramways Ltd. held by the company.

The 7% convertible redeemable sinking fund debentures maturing June 15, 1986 are secured by a second fixed charge on land and certain assets of the company and a second floating charge on the remaining assets. Purchase fund requirements to the maturity date of the debentures have been met by conversions and redemptions to date. The outstanding debentures are convertible into common shares at the option of the holders. The rate of conversion of debentures into common shares is fixed at 469.5 shares per $1,000 of debentures subject to change in accordance with the anti-dilution provisions of the trust deed.

The 12-1/2% convertible debenture maturing March 23, 1987 is secured by a floating charge over all property and assets of the company, except certain land, ranking after the $7,500,000 demand debenture and 7% convertible debentures described above. The debenture is convertible at the option of the holder into 500,000 common shares. The company may not repay this debenture until the loan described in Note 14 is repaid in full.

6. Share capital

Common shares —

Authorized 10,000,000 shares (1976 — 3,500,000 shares) without par value. Outstanding 2,978,212 shares. The company may be required to issue 562,913 common shares on conversion of the 7% and 12-1/2% debentures outstanding at October 31, 1977 (Notes 5 and 14). These shares have been reserved. As explained in Note 14, the company has subsequent to October 31, 1977 reserved a further 2,000,000 shares in connection with the issue of the convertible debenture. No common shares were issued during the two years ended October 31, 1977.

Preference shares —

Authorized 270,608 (1976 — 270,608) 6% non-cumulative first preference shares with a par value of $2.35 per share, redeemable at $2.45 per share. Outstanding 8,670 shares. No first preference shares were issued during the two years ended October 31, 1977.

Authorized 500,000 (1976 nil) 8% cumulative convertible second preference shares with a par value of $10 per share, redeemable at a premium of 8%. The shares are convertible to common shares, at the option of the holder, on the basis of 10 common shares for each second preference share. Outstanding nil.

7. Income taxes

The company has losses carried forward for tax purposes of $834,000 which expire at the end of the 1982 taxation year if not applied to reduce income for tax purposes. The carrying value of certain assets, net, is less than their related income tax values by $105,000 which may be applied against future income for tax purposes. The benefit of these future deductions has not been reflected in the financial statements.

8. Earnings (loss) per common share

Earnings (loss) per common share are based on the weighted average number of common shares outstanding during the year. Fully diluted earnings (loss) per share are not presented as the assumed conversion of debentures has no dilutive effect in the current year.

9. Working capital

Working capital has been provided (used) by operations as follows:

	1977	1976
Net earnings (loss) for the period	**$(1,799,255)**	109,036
Items not affecting working capital:		
Depreciation and amortization	**1,004,620**	579,158
Deferred income taxes	**(722,356)**	27,000
Equity in earnings of investees	**(55,071)**	(84,764)
Loss (gain) on disposal of equipment	**22,588**	(14,748)
	$(1,549,474)	615,682

10. Lease obligations

Annual lease obligations for office premises, parking lots and equipment for the fiscal years ended October 31, 1977 and October 31, 1976 were $104,093 and $83,013 respectively.

Amounts payable on leases existing at October 31, 1977 are as follows:

1978	$117,752
1979	46,103
1980	22,847
1981	19,997
1982-1987	16,572

11. Contingent liability

A portion of a bank loan of an investee company is guaranteed by the company in the amount of $197,400.

12. Remuneration of directors and officers

The aggregate remuneration paid by the company to directors and senior officers for the year ended October 31, 1977 amounted to $138,683 ($196,667 for the year ended October 31, 1976).

13. Anti-Inflation Act

The company's operations are subject to the provisions of the Anti-Inflation Act which limits the company's ability to increase prices, profit margins, dividends and compensation. Based on reports filed as required with the Board, the company is not in violation of any of the requirements of the legislation and accordingly has no liability or obligations thereunder.

14. Subsequent event

In addition to the related 12-1/2% convertible debenture, the company has arranged for a further $2,000,000 long-term loan to be obtained under certain conditions from the Federal Business Development Bank. On December 20, 1977, $400,000 was received pursuant to this agreement. This loan, if fully drawn, is repayable in annual instalments commencing March 23, 1980 as follows: 1980 — $100,000; 1981 to 1983 — $200,000 per annum; 1984 to 1986 — $400,000 per annum; 1987 — $100,000.

The loan is secured by a mortgage over certain of the company's land and buildings and by a $2,000,000 debenture providing fixed and floating charges over other assets of the company, both subject to the $7,500,000 demand debenture and the 7% convertible debentures.

Additional security is provided by a guarantee from an affiliated company which has granted the lender a mortgage over certain property. In consideration for this, the company has issued a $2,000,000 convertible debenture to its affiliate, bearing interest at 8% per annum on the outstanding balance of the Federal Business Development Bank loan, and providing a floating charge over all the assets of the company, except the leasehold rights described in Note 4, ranking subsequent to the charges described above and in Note 5. The debenture is convertible at the holders' option into 2,000,000 common shares in the event that the affiliated company's guarantee is enforced.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Grouse Mountain Resorts Ltd. as at October 31, 1977 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, subject to the effects of the matters discussed in Note 1 of notes to consolidated financial statements, these consolidated financial statements present fairly the financial position of the company as at October 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Chartered Accountants.

Vancouver, British Columbia, Canada.
February 17, 1978.

1. Mountain top accommodation is planned for Grouse. The model chalet pictured here, by John Perkins and Associates, is one of three designs to be featured in the new Snowflake Village. Chalets will be fully serviced including optional saunas and hot tubs as pictured.

2. The Airtram at Hells Gate carries visitors across the Fraser River to view famous salmon fishways and the related exhibit area.

Company Officers

Corporate Officers

ANDREW E. SAXTON, Chairman of the Board
JOHN E. HOEGG, President
F. STUART LANG, Secretary

Corporate Directors

JAMES G. DAVIES, Mississauga,
Executive Vice-President, S.B. McLaughlin Associates Limited

JOHN W. DUNFIELD, Vancouver,
President, Western Peat Moss Ltd.

J. TREVOR EYTON, Toronto,
Partner, Tory, DesLauriers & Binnington

JOHN C. GILMER, Vancouver, retired,
formerly President, Canadian Pacific Airlines Ltd.

ORMONDE J. HALL, Vancouver, Partner, Sutton Braidwood

JOHN E. HOEGG, Vancouver, President of the Company

S. BRUCE McLAUGHLIN, Mississauga,
President, S.B. McLaughlin Associates Limited

ANDREW E. SAXTON, Vancouver,
Chairman of the Board of the Company

GEORGE D. SHERWOOD, Vancouver,
President, Odlum Brown & T.B. Read Ltd.

Grouse Mountain Operations

GARY KIEFER, General Manager
ROBERT A. JOHNSTON, Controller
MIKE D. POWLEY, Marketing Director
JOHN CURRIE, Ski Area Manager
ROLAND HANSELMANN, Food and Beverage Manager
ANTHONY G. GOODSON, Administrative Manager
DAVID FRASER, Plant Engineer

Undersea Gardens Operations

ROBERT WRIGHT, Senior Operating Officer
LESLIE WOOD, Victoria Manager
JACK NIELSEN, Newport Manager

Canyon Aerial Tramways

CHARLES N. W. WOODWARD, Chairman of the Board
ANDREW F. B. MILLIGAN, President

Auditors

Peat, Marwick, Mitchell & Co.

Banks

Bank of British Columbia
The Royal Bank of Canada

Solicitors

Alexander, Guest, Wolfe, Holburn & Beaudin

Transfer Agent and Registrar

Yorkshire and Canadian Trust Limited

Trustees

National Trust Company, Limited

Offices

EXECUTIVE OFFICE:
2630 Royal Centre, 1055 West Georgia Street,
Vancouver, B.C. V6E 3P3 Telephone: 683-2293

SUPERSKYRIDE ADMINISTRATION AND
GROUSE NEST RESTAURANT:
5100 Capilano Road, North Vancouver, B.C. V7R 4K9
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